

US EPA ARCHIVE DOCUMENT



Laying the Groundwork for Funding Climate and Clean Energy Programs

Wednesday, May 16, 2012

Pat McGuckin

The Cadmus Group, Inc.

Laying the Groundwork for Funding

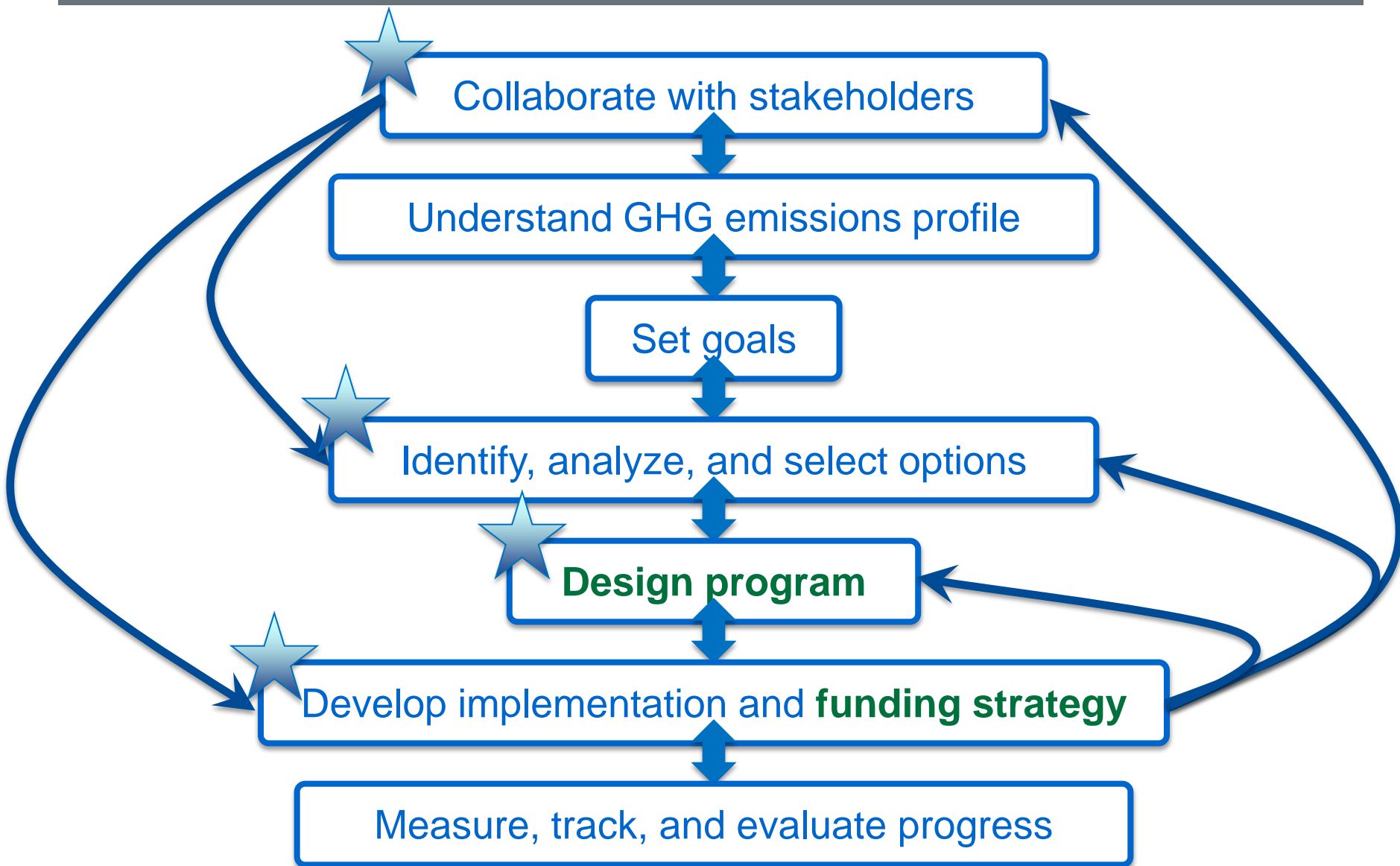


Three Big Questions:

- A. How Does Funding Fit Into the Planning Process?**
- B. What Resources Are Available for Your Program?**
- C. What Do You Want To Fund?**



How Does Funding Fit Into the Planning Process?



What Do We Mean by “Program”?



- **A focused effort to implement a climate and/ or clean energy solution in areas such as:**
 - Energy Efficiency
 - Transportation
 - Water / wastewater
 - Renewable Energy
 - Waste management
 - Land use
- **An energy efficiency program might focus on:**
 - “Lead By Example” in public sector buildings
 - Commercial sector buildings
 - Residential sector
 - Local implementation of a state- or utility-designed program
- **Some programs may include policy implications**
 - For instance, a land use program may include changes to zoning policies
- **For more on designing and implementing programs:**
 - www.epa.gov/statelocalclimate/local/activities/programs.html

What Is a “Funding Strategy”?



- **It is the plan for how your program’s cash inflow will cover the cash outflow**
- **It includes a realistic action plan and cash flow projection**
 - Key assumptions about funding and revenue should be researched
 - Expenses are always more than expected – add an allowance for this
 - Be as creative about saving money as spending it
 - Funding options will be covered in webcast 2 on May 30th – sign up at www2.gotomeeting.com/register/596806986
- **Financing may also be included**
 - To cover upfront costs – requires a source of revenue to pay it back
 - Financing options will be covered in webcast 3 on June 13th – sign up at www2.gotomeeting.com/register/977254058

Tips for Integrating Funding into the Program Planning Process



- **Adapt the level of spending to your situation**
 - For instance, the second planning step is to understand your GHG emission profile. While a large city may invest in a comprehensive study, a small town might simply research profiles for similar communities.
- **The process is iterative – the arrows work both ways**
 - For example, the program you select will influence the funding strategy, while the available funding resources will influence which program you select.
- **Don't skip straight to funding**
 - Even if you already have funding, the process of engaging stakeholders, selecting appropriate goals, and planning for cash flow will be crucial to success.

continued...

Tips for Integrating Funding... continued



- **Planning prepares you for unexpected funding opportunities**
 - For example, if a grant opportunity becomes available, having a plan will enable you to respond in time with a strong proposal (e.g., Bellingham).
- **Collaborating with stakeholders (step one in the diagram) can directly lead to funding**
 - Including utilities, business leaders, major employers, real estate owners, and others can build relationships, buy-in, and support (e.g., Arlington).

More Information on Planning



1. Climate Showcase Communities (CSC)

- Replicable models of sustainable community action, www.epa.gov/statelocalclimate/local/showcase

2. Key Guidance and Tools

- Comprehensive Local Climate and Energy Website, www.epa.gov/statelocalclimate
- Local Government Climate and Energy Strategy Series, www.epa.gov/statelocalclimate/resources/strategy-guides.html

3. Peer Exchanges

- Regular local climate and energy webcast series, www.epa.gov/statelocalclimate/web-podcasts/local-webcasts-by-date.html
- Newsletters, www.epa.gov/statelocalclimate/listservs

B. What Resources Are Available for Your Program?



These program resources can impact your funding strategy by providing support that could reduce the amount of funding that is required.

B. What Resources Are Available...

continued



1. **Internal:** funding, staffing, expertise, cross-department teams, etc.
 - Success does not require big funding and staff
 - Political support: mayor, commissioner, department heads, etc.
 - A small first step can demonstrate community support and political feasibility (Arlington)
2. **Utilities:** rebates, incentives, services, cooperation, etc.
 - Investor-owned utilities must balance community and shareholder interests; municipal and co-op utilities do not have this issue
3. **Lenders:** banks, credit unions, CDFI community development financial institutions, housing finance authorities, etc. (webcast 3)
 - Local lenders are often more responsive than regional and national ones

continued...

B. What Resources Are Available...

continued



5. **Non-profits:** foundations, environmental groups, etc.
 - Foundations are moving from grants to mission-related investments – low interest loans that must be repaid
6. **Business:** retrofit contractors, ESCOs, retailers, etc.
 - Business associations may have an interest (Bellingham)
7. **Community support:** activists, leaders, local media, colleges, etc.
8. **Economic development interests:** Chamber, City, State, etc.
9. **Federal & State:** EPA, DOE, state energy office, DEQ, air, etc.
10. **Innovations:** HUD PowerSaver, solar leasing, etc. (webcast 3)
11. **Prior Success:** your own, Climate Showcase Communities, etc.

Tips about Program Resources and Their Impact on Funding



- **The more resources you can identify, the less funding you may need**
 - For instance, if you can find experts willing to work pro bono, you may not need to pay for a consultant.
- **Knowing your utilities' incentives is a top priority**
 - Their rebates and support can be a significant resource.
 - Working with a utility can be an effective strategy.
 - Getting them involved early may be better than approaching them with a pre-conceived plan.
- **Non-profits and volunteers can minimize the need for funding**
 - Look for opportunities to get them involved.

continued...

Tips about Program Resources and Their Impact on Funding... continued



- **Retrofit contractors, energy service companies, solar installers, and others can be valuable allies**
 - They have a vested interest in the success of your program
- **Major employers can provide trusted access to many residents**
 - If your program can offer their employees a benefit, employers can be very supportive (Little Rock, AR, covered in webcast 3).

More Information



- **DSIRE** – Database of State Incentives for Renewable Energy (includes federal, state, local, utility, and other incentives for renewables and energy efficiency) www.dsireusa.org
- **CDFIs** – Community Development Financial Institutions (non-profit lenders focused on underserved communities) www.cdfifund.gov/awardees/db/index.asp
- **REAP** – Rural Energy for America Program (loans and grants for agricultural producers and rural small businesses) www.rurdev.usda.gov/BCP_Reap.html
- **ICLEI** – International Council for Local Environmental Initiatives (more success stories) www.iclei.org
- **ACEEE** – American Council for an Energy Efficient Economy (find success stories in *Keeping it in the Community: Sustainable Funding for Local Energy Efficiency Initiatives*) www.aceee.org/research-report/e124

C. What Do You Want to Fund?

- **Before developing a funding strategy, you need to evaluate the funding requirements of the program you are considering.**
- **How much money will the program elements require?**
 - Capital budget for equipment, etc.
 - Startup expenses
 - Long-term operating expenses
 - Cash-flow
- **Can you start quickly with a small pilot?**

continued...

C. What Do You Want to Fund...

continued



- **Can the program generate revenue or reduce expenses?**
- **How much seed funding is required?**
- **How much sustainable funding will be required?**
- **Could the program be financed?**
 - To be financed, a program must generate reliable revenue or savings that can pay off the financing.

C. What Do You Want to Fund...

continued



Types of Funding	SEED FUNDING		SUSTAINABLE FUNDING	
	<u>To Spend</u>	<u>To Repay</u>	<u>To Spend</u>	<u>To Repay</u>
Sources:	<ul style="list-style-type: none"> Grants General fund Operating budget Capital budget Violation Fund 	One-Time Financing <ul style="list-style-type: none"> Loan Lease Bond (e.g., QECBs) Mission-related investment (MRI) 	<ul style="list-style-type: none"> Tax Fees Sponsors Energy savings 	Ongoing Financing <ul style="list-style-type: none"> Loans Master lease Bonds (e.g., PACE) MRI
Uses:	<ul style="list-style-type: none"> One-time programs Startup costs Credit enhancement Equipment 	Program must create revenue <ul style="list-style-type: none"> May not be sustainable once funding is used up 	<ul style="list-style-type: none"> Ongoing programs 	Program must create revenue <ul style="list-style-type: none"> Ongoing programs

Tips for Evaluating Funding During Program Selection



- **What you want to fund will impact what funding you want**
 - For instance, if your program has ongoing costs and no revenue or savings, you will need long-term funding to make it sustainable.
- **Programs that generate revenue or savings are easier to fund and finance** - they can largely fund themselves.
 - Energy efficiency (EE) programs are good choices in this regard, and they target the low-hanging energy fruit.
- **Lead By Example programs (i.e., public sector) can be a good choice**
 - For a local government, it may be easier to manage and control a program that targets local government versus one targeting other sectors.

continued...

Tips for Evaluation Funding During Program Selection... continued



- **Weatherization contractors can be leveraged to address the residential EE sector**
 - Working with them to expand beyond low-income housing can be effective (Bellingham)
- **For the commercial EE sector, EPA's ENERGY STAR program can be helpful**
 - Encouraging benchmarking with Portfolio Manager can be a good first step
- **Think big by starting small**
 - Pilot programs can work out unforeseen problems and establish proof of concept, which makes it easier to find additional funding.

More Information



- **ACEEE** – American Council for an Energy Efficient Economy. www.aceee.org
- **Lead By Example** – programs for state and local governments
<http://www.epa.gov/statelocalclimate/local/activities/gov-operations.html>
- **Clean Energy Financing Programs: A Decision Resource for States and Communities.**
<http://epa.gov/statelocalclimate/state/activities/guide.html>
- **National Action Plan for Energy Efficiency** – Guide to Resource Planning with Energy Efficiency
www.epa.gov/cleanenergy/energy-programs/suca/resources.html

Contact Information



Pat McGuckin

The Cadmus Group, Inc.

Contractor to the U.S. EPA

303 389-2518

patrick.mcguckin@cadmusgroup.com